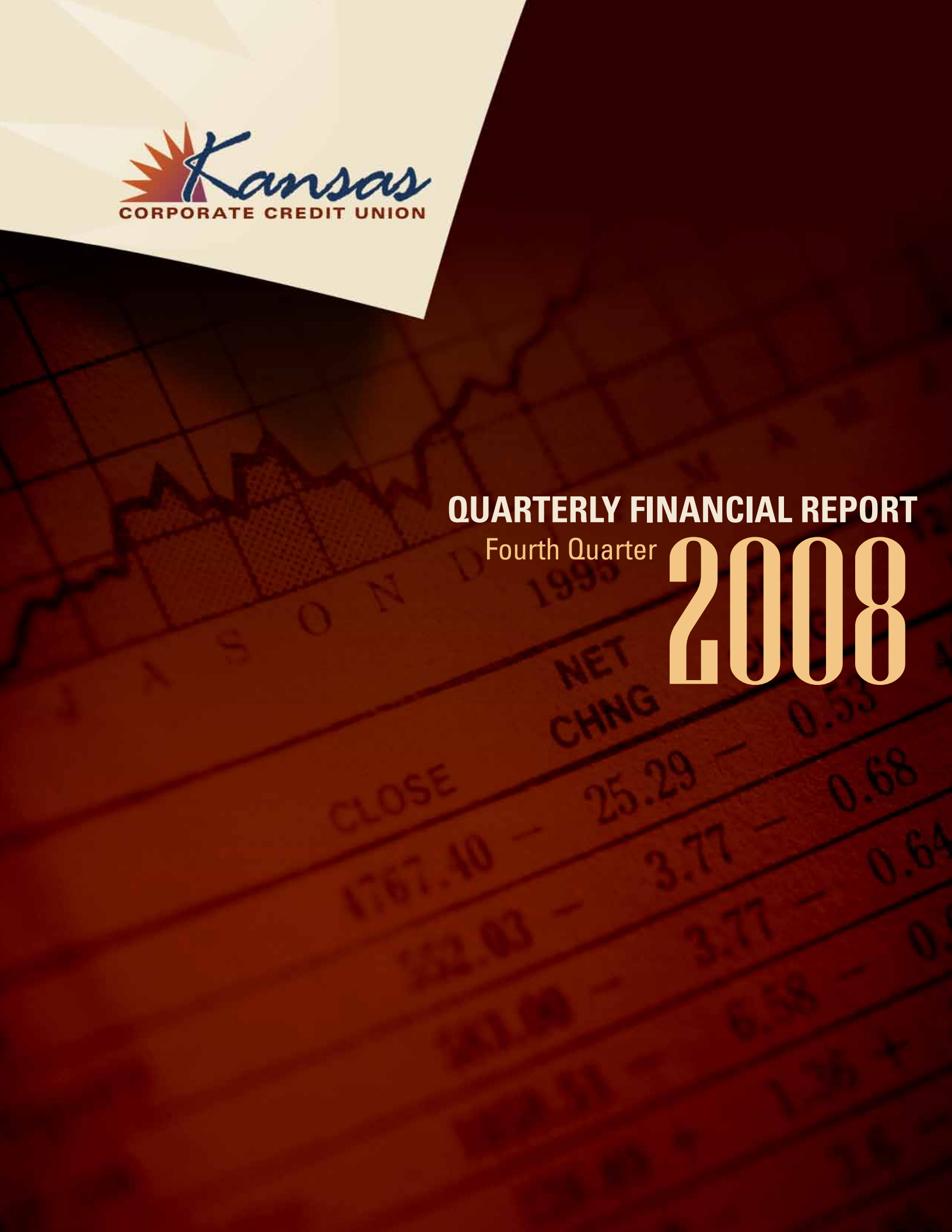




QUARTERLY FINANCIAL REPORT

Fourth Quarter

2008



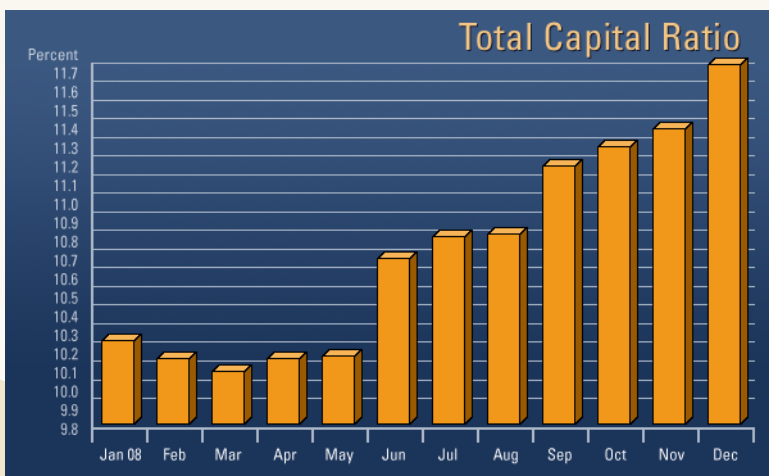
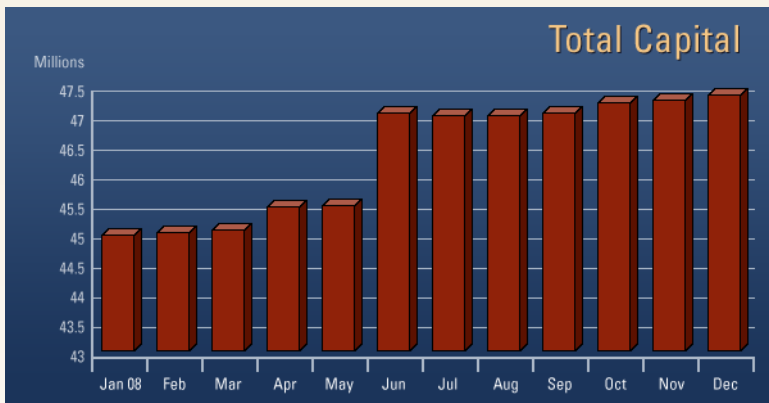
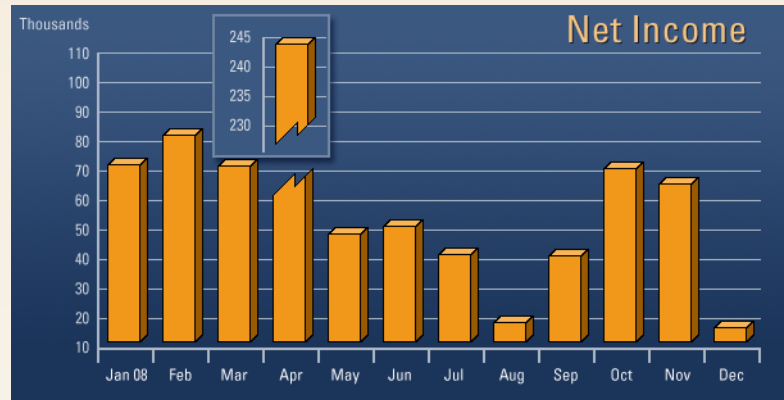
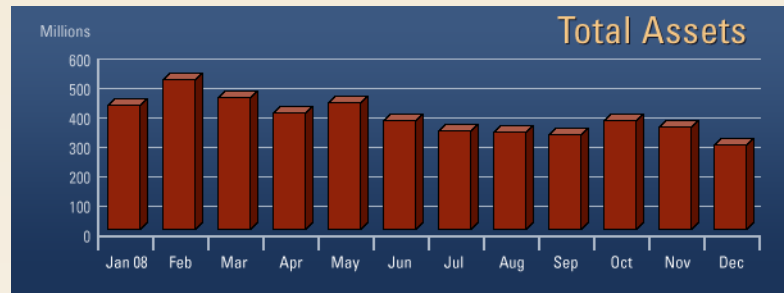
Quarterly Commentary

(October - December 2008)

Fourth quarter 2008 followed a similar pattern to the previous quarter, with Total Assets experiencing a slight decrease to end the year at \$304,267,946 and Net Income continuing its upward trend, increasing \$50,022, for a quarter total of \$153,257. Total Capital grew throughout the quarter to end the year at \$47,412,917, representative of a Total Capital Ratio of 11.69%.

Throughout the year, all eyes were continually on the Fed, watching their monetary easing and continually reading their official comments, warning of the inflationary threats that loomed around us. Those fears have changed drastically as it appears we may now be heading in an even worse direction...deflation.

Deflation usually starts with a collapse in asset prices and shrinkage in the money supply, consequently leading to a drop in consumption. As demand falls, so does pricing power, forcing businesses to lower prices. The average consumer, as prices start falling, delays purchases, thus further reducing demand. With less demand, profit margins fall and many companies are forced to reduce costs by laying off employees or even liquidating. Investments begin to fall due to all the excess capacity created in the market, leading to further drop in overall demand, and the cycle continues.



As you can see, deflation is a terrible thing for an economy to experience as it is an extremely difficult situation to reverse once it takes hold. Just how ominous is the deflationary threat? Let's compare the current situation to the "typical" deflationary cycle above.

One difference currently is that asset spreads, although still at extremely wide levels, have begun to tighten thanks to the Fed's efforts in buying securities, driving borrowing costs down. However, despite these efforts, there has been a drastic decline in demand, removing all pricing power on the part of businesses and dampening inflation significantly. The Consumer Price Index has increased a mere 1.1% over the past year and is falling fast, increasing the likelihood that the inflation rate may indeed soon turn negative. And, as long as the labor market continues to struggle, demand will have a difficult time rebounding. 2008 proved tough for the labor market, with the U.S. economy shedding almost 2.6 million jobs, and the situation appears to be worsening.

Despite how dire the situation may sound, the Fed is determined to do whatever it can to prevent the slide into deflation territory. As they can no longer cut interest rates directly, with the fed funds effective rate hovering near zero, they intend to "employ all available tools" and "purchase large quantities of agency debt and mortgage-backed securities to provide support to the mortgage and housing markets." The goal is to provide lower mortgage rates for refinance purposes (reducing monthly payments) - the end goal being that homeowners will turn around and spend the excess funds in the economy.

Hopefully, The Fed's monetary policy actions and efforts thus far, the TARP program, and the Obama administrations new stimulus package aimed at helping to create and/or save up to 3 million jobs, will be enough to prevent a deflationary spiral from ever starting.

Quarterly Financial Data

Balance Sheet as of December 31, 2008 (in thousands)

ASSETS

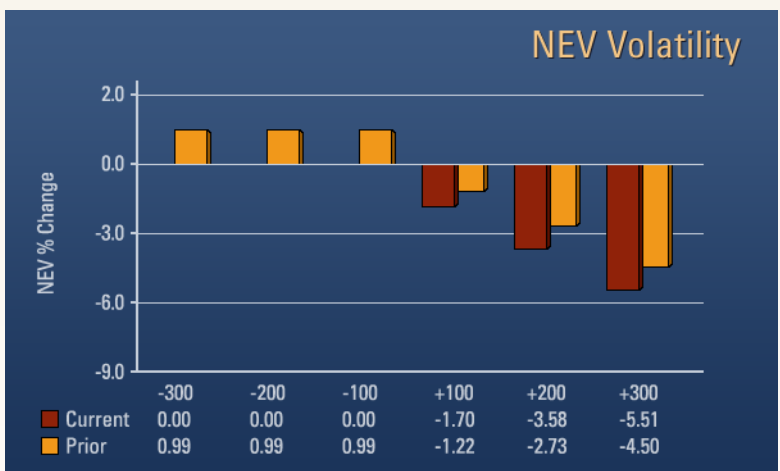
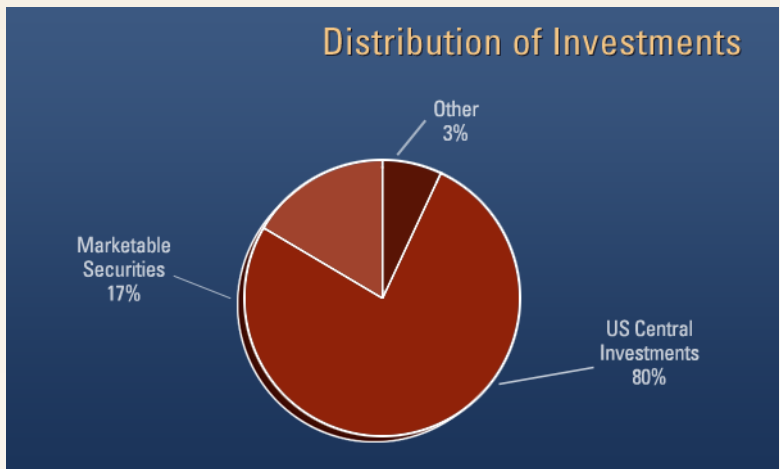
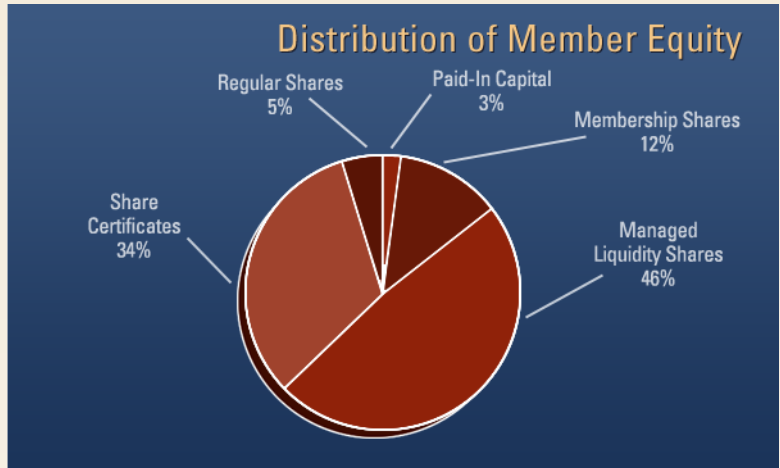
| | | |
|-----------------|----|----------------|
| Cash | \$ | 896 |
| Loans | | 67,321 |
| Net Investments | | 234,161 |
| Accrued Income | | 1,003 |
| Other Assets | | 887 |
| Total | \$ | <u>304,268</u> |

SHARES, LIABILITIES, & CAPITAL

| | | |
|------------------------------|----|----------------|
| Total Shares | \$ | 230,856 |
| Total Loans | | 54,209 |
| Total Other Liabilities | | 1,665 |
| Member Capital | | 5,744 |
| Paid In Capital | | 6,000 |
| Retained Earnings | | 6,468 |
| Other Comprehensive Earnings | | (674) |
| Total | \$ | <u>304,268</u> |

Statement of Income (Year to Date) (in thousands)

| | | |
|---------------------------------|-----------|-------------------|
| Interest Income | \$ | 13,154 |
| Dividend and Interest Expense | | 11,211 |
| Net Interest Income | | <u>1,943</u> |
| Non-Interest Income | | 1,732 |
| Non-Interest Expense | | 2,853 |
| Income from Operations | | 822 |
| Total Gains/(Losses) | | <u>174</u> |
| Net Income | \$ | <u>996</u> |
| Paid In Capital Dividends | | 170 |
| Earnings Transferred to Capital | \$ | 826 |



Product & Service Offerings

Correspondent Services

Kansas Corporate offers a comprehensive suite of correspondent services that not only allow you to serve your member needs today but tomorrow as well. ACH receipt and origination, currency and coin delivery, wire and western union transfers, and a complete international service package are but a few of the correspondent services available through Kansas Corporate.

Investment Solutions

Providing a full-menu of investment offerings is one of the critical initiatives Kansas Corporate practices to ensure members achieve their financial goals. Members can diversify their investment portfolio doing business with one partner, Kansas Corporate. Access the CD market through SimpliCD, the marketable security market with the Corporate Agent Program, as well as investment offerings available from Kansas Corporate including Term Certificates, Fixed Callable, Step-Up Certificates, and ACP Offerings. Security settlement and safekeeping is also available for member credit unions.

Liquidity Solutions

Kansas Corporate offers a variety of liquidity solutions to ensure meeting the varying liquidity needs of member credit unions. Members choose their funding method be it an overnight, term or asset-backed loan. Credit unions also have the ability to sell pools of auto loans to the secondary market through our partner Charlie Mac, LLC.

Technology Services

Kansas Corporate, through partnerships with industry experts, provides technology solutions beyond compare in today's market. Development of the Technology Services Group to aid member credit unions with technology initiatives has fostered growth for members statewide. Other services include web development, bill payment, voice and data solutions, and security assessments, for credit unions of all sizes, for credit unions of all needs.

For more information about Kansas Corporate and the services we provide, contact Circe Gleeson, Marketing Manager, or Sarah Holt, Business Development Representative, at 800.721.2677 | Ext. 106 or 122, respectively, or by email at circeg@kansascorporate.org or sarahh@kansascorporate.org.

Contact Information

Toll Free – 800.721.2677

Local – 316.721.2600

Fax – 316.722.2025

8615 W. Frazier

Wichita, KS 67212

www.kansascorporate.org

Board of Directors

Wayne Warfel, Chair
Wichita Federal Credit Union

Ted Underwood, Secretary/Treasurer
Golden Plains Credit Union

Gary Colcher
Credit Unions United

Bill Hauber
Frontier Community Credit Union

Mark Kolarik
Kansas Teachers Community Credit Union

Glen Scott
Kansas Super Chief Credit Union

Bob Thurman
Credit Union of America

Asset/Liability Committee

Kent Gleason, Chair
Kansas Corporate Credit Union

Gary Colcher
Credit Unions United

Larry Eisenhauer
Kansas Corporate Credit Union

Brady McLeod
Kansas Corporate Credit Union

Glen Scott
Kansas Super Chief Credit Union

Alan Weikal
Kansas Corporate Credit Union

Kansas Corporate Management

Larry Eisenhauer
President and CEO

Kent Gleason
Executive Vice President

Kip Poe
Vice President – Information & Technology

Alan Weikal
Controller